RECORD AND BRIEFS

Supreme Court, U.S.
FILED
AUG 31 2017
OFFICE OF THE CLERK

No. 16-712

IN THE

Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC, INC.,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

KEVIN H. RHODES
President
STEVEN W. MILLER
Chair, Amicus Brief Committee
MARK W. LAUROESCH
Executive Director
INTELLECTUAL PROPERTY OWNERS ASSOCIATION
1501 M St. N.W., Suite 1150
Washington, D.C. 20005
(202) 507-4500

PAUL H. BERGHOFF
Counsel of Record
BRANDON J. KENNEDY
MCDONNELL BOEHNEN HULBERT & BERGHOFF LLP
300 South Wacker Drive
Chicago, Illinois 60606
(312) 913-0001

Counsel for Amicus Curiae Intellectual Property Owners Association

Library of Congress
Law Library

272274

TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES ii

INTERESTS OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 3

I. Supreme Court Precedent Has Long Held That Granted U.S. Patents Are Not Public Rights 3

II. The Federal Circuit's Analysis in *MCM Portfolio* Is Not in Harmony with Supreme Court Precedent Regarding Patent Rights 6

III. Classifying Granted Patents as Public Rights Could Have Serious Adverse Consequences for Patent Owners 8

CONCLUSION 12

APPENDIX 1a

TABLE OF CITED AUTHORITIES

Page

Cases

B & B Hardware, Inc. v. Hargus Indus., Inc.,
135 S. Ct. 1293 (2015) 6

Cammeyer v. Newton,
94 U.S. 225 (1876) 5

Colt v. Massachusetts Arms Co.,
6 F. Cas. 161 (C.C.D. Mass. 1851) 5

Commodity Futures Trading Comm'n v. Schor,
478 U.S. 833 (1986) 6, 7, 8

Horne v. Dep't of Agric.,
135 S. Ct. 2419 (2015) 8, 9

Hovey v. Henry,
12 F. Cas. 603 (C.C.D. Mass. 1846) 4

James v. Campbell,
104 U.S. 356 (1882) 8

McClurg v. Kingsland,
42 U.S. 202 (1843) 4

McCormick Harvesting Mach. v. C. Aultman,
169 U.S. 606 (1898) 3, 5

Cited Authorities

Page

MCM Portfolio LLC v. Hewlett-Packard Co.,
812 F.3d 1284 (Fed. Cir. 2015) ..... *passim*

Murray's Lessee v.
Hoboken Land and Improvement Co.,
59 U.S. 272 (1855) 4, 5, 11, 12

Stern v. Marshall,
564 U.S. 462 (2011) 7, 8

Thomas v. Union Carbide Agric. Prods. Co.,
473 U.S. 568 (1985) 6, 7, 8

U.S. v. Am. Bell Tel. Co.,
128 U.S. 315 (1888) 5

U.S. v. Burns,
79 U.S. 246 (1870) 5

U.S. v. Schurz,
102 U.S. 378 (1880) 5

Statutes

U.S. Const. art. 1 § 8, cl. 8 4

28 U.S.C. § 1498 8

35 U.S.C. § 261 7

Cited Authorities

Page

35 U.S.C. § 271 7

Other Authorities

Jill Carroll and Ron Winslow, *Bayer Agrees to Slash Prices for Cipro Drug*, Wall Street J., Oct. 25, 2001 9

U.S. Trade Representative, *2017 Special 301 Report on Intellectual Property Issues*, Office of the U.S. Trade Representative 11

Vikas Bajaj and Andrew Pollack, *India Orders Bayer to License a Patented Drug*, N.Y. Times, Mar. 12, 2012 9

INTERESTS OF *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association (IPO)[1] represents many of the most innovative companies in America. IPO's roughly 200 corporate members develop, manufacture, and sell technology-based products in a wide range of industries. Further, IPO is committed to serving the interests of all intellectual property owners in all industries and all fields of technology.[2]

IPO's members invest tens of billions of dollars annually on research and development and employ hundreds of thousands of scientists, engineers, and others in the United States to develop, produce, and market innovative new products and services. To protect their inventions, IPO's members collectively hold tens of thousands of U.S. patents and account for a substantial portion of the patent applications filed every year at the United States Patent and Trademark Office (USPTO).

Because of the investment of its members, this case presents a question of substantial practical importance to IPO: namely, whether granted patents are "public rights,"

---

1. Pursuant to Rule 37.6, amicus affirms that no counsel for a party authored this brief in whole or in part, nor has any counsel, party, or third person other than amicus or its counsel made any monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3, the parties consented to the filing of this brief through blanket consent letters.

2. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

as the Federal Circuit has recently held in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015). Although IPO does not express an opinion regarding the constitutionality of *inter partes* review, IPO nonetheless believes that this Court might consider the issue of whether granted patents can be characterized as "public rights" in analyzing the question presented in this case.

In particular, classifying granted patents as public rights could lead to serious adverse consequences for patent owners and might increase the patent system's vulnerability to government intervention. A characterization of patents as public rights by this Court could diminish the value of patents, and reduce the flow of investment essential to making the future innovations needed to power America's technology-driven economy. Accordingly, IPO has a substantial interest in this Court's classification of granted patents, an issue that this Court might consider in answering the question currently presented on *certiorari*.

SUMMARY OF ARGUMENT

The Supreme Court has long held that granted patents are not public rights. Rather, the owner of a granted U.S. patent obtains a vested interest in a substantial property right. Importantly, this view has persisted throughout the Supreme Court's development of the so-called "public rights" doctrine in areas of law unrelated to patents.

For this reason, IPO believes that the Federal Circuit's statement in *MCM Portfolio* that patents are public rights is incorrect. *MCM* relies on this Court's public rights jurisprudence involving rights that are not

analogous to granted patents. More importantly, the Federal Circuit in *MCM* ignored this Court's earlier and controlling precedent that defined granted patent rights as personal property.

A Supreme Court opinion deeming granted patents to be public rights could be damaging to the interests of patent owners, as well as the patent system at large. Patents have traditionally been afforded the same constitutional protections as other private property. However, because of the deference the government receives in matters of public rights, classifying granted patents as public rights will make patents more susceptible to government action. For example, the treatment of granted patents as public rights could be used to justify government proposals for the compulsory licensing of patent rights to a patent owner's competitors, or governmental takings of patent rights without just compensation or adequate due process.

IPO takes no position on the question presented in this case, i.e., whether *inter partes* review violates the Constitution.

ARGUMENT

I. Supreme Court Precedent Has Long Held That Granted U.S. Patents Are Not Public Rights

Throughout its history, this Court has consistently held that a granted U.S. patent affords its owner a substantial property right. In particular, a granted U.S. patent "has become the property of the patentee ... [and] is entitled to the same legal protection as other property." *McCormick Harvesting Mach. v. C. Aultman*, 169 U.S. 606, 609 (1898). Importantly, this treatment of granted

patents prevailed both before and after the development of the Court's public rights doctrine. Indeed, the notion of public rights was not developed in a patent context, and this Court has never extended the public rights doctrine to patent rights.

The public rights doctrine traces its origins to *Murray's Lessee v. Hoboken Land and Improvement Co.*, 59 U.S. 272 (1855) where the Supreme Court first held that "there are matters, involving public rights . . . which are susceptible of judicial determination, but which [C]ongress may or may not bring within the cognizance of the courts of the United States . . . as it depends upon the will of [C]ongress, . . . they may regulate it and prescribe such rules of determination as they may think just and needful." *Id.* at 284.

IPO acknowledges that the laws related to applying for and obtaining a U.S. patent are clearly within the determination of Congress, as derived from the Constitution. U.S. Const. art. I, § 8, cl. 8. However, this Court's precedent provides ample support for the proposition that a U.S. patent, once granted, should not be treated as a public right. For example, shortly before *Murray's Lessee* was decided, this Court unanimously held in *McClurg v. Kingsland*, 42 U.S. 202 (1843) that the repeal of a patent statute "can have no effect to impair the right of property then existing in a patentee, or his assignee, according to the well-established principles of this court." *Id.* at 206. Thus, even a subsequent act of Congress is ineffective to disturb the vested property interest that an inventor obtains in a granted U.S. patent.[3]

---

3. District court cases in the same timeframe were consistent. *See, e.g., Hovey v. Henry*, 12 F. Cas. 603 (C.C.D. Mass. 1846) ("An

Moreover, this Court's treatment of granted U.S. patents did not change in the decades following *Murray's Lessee*. In *Cammeyer v. Newton*, 94 U.S. 225 (1876), the Court held that federal officials were not immunized from claims for patent infringement because "[a]gents of the public have no more right to take such ***private property*** than individuals." *Id.* at 234-35 (emphasis added). And with respect to the U.S. specifically, "the government cannot, after the patent is issued, make use of the improvement any more than a private individual, without license of the inventor." *Id.* at 235 (citing *U.S. v. Burns*, 79, U.S. 246 (1870)).

Further, in *McCormick*, the Court held that a granted patent "has become the property of the patentee ... [and] is entitled to the same legal protection as other property." *McCormick*, 169 U.S. at 609. The *McCormick* Court was considering the reissue process for issued patents, and noted the "repeated decisions of this court" holding that "when a patent has ... had affixed to it the seal of the patent office, it has passed beyond the control and jurisdiction of that office." *Id.* at 608 (citing *U.S. v. Schurz*, 102 U.S. 378 (1880); *U.S. v. Am. Bell Tel. Co.*, 128 U.S. 315, 363 (1888)). The Court then went on to discuss the reissue process as the sole exception to this rule. In reissue proceedings, the commissioner of patents may regain jurisdiction over an issued patent only upon application ***by the patentee*** to correct errors made due to inadvertence or mistake on the part of the patentee, and then only upon surrender of the original patent. *Id.* at 609-10.

---

inventor holds a property in his invention by as good a title as the farmer holds his farm and flock."); *Colt v. Massachusetts Arms Co.*, 6 F. Cas. 161 (C.C.D. Mass. 1851)) ("The government, by giving another patent, can not take away that of a prior patentee. They can no more take it away than you can take away the property of your neighbor.").

These cases make clear this Court's consistent view that, once granted, a U.S. patent should not be treated as a public right.[4]

II. The Federal Circuit's Analysis in *MCM Portfolio* Is Not in Harmony with Supreme Court Precedent Regarding Patent Rights

Despite the clarity of this Court's opinions that granted U.S. patents should not be characterized as public rights, the Federal Circuit relied on subsequent Supreme Court decisions dealing with the "public rights" doctrine to support its recent statement to the contrary. *See MCM Portfolio*, 812 F.3d at 1293. However, these later decisions do not address granted U.S. patents.

The Federal Circuit's opinion in *MCM* is based on an overly broad reading of *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568 (1985) and *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833 (1986). In *Thomas*, the Court found that the public rights doctrine applied to the EPA's binding determination of the amount of compensation owed from one pesticide manufacturer to another under a data sharing regime created by federal statute. 473 U.S. at 573-74. In *Schor*, the Court applied the public rights doctrine to uphold the CFTC's statutorily

---

4. IPO notes the recent dissenting opinion in *B & B Hardware, Inc. v. Hargus Indus., Inc.*, 135 S. Ct. 1293 (2015), suggesting that trademarks may be considered "quasi-private rights." *Id.* at 1316 (Thomas, J., dissenting). However, the legal contours and consequences of quasi-private rights have not been further discussed or defined by this Court, much less in a majority opinion or in relation to patents. Accordingly, IPO takes no position with respect to whether granted U.S. patents are private rights versus quasi-private rights.

granted authority to hear state law counterclaims brought in a reparations proceeding for violations of the Commodity Exchange Act. 478 U.S. at 853-54. Neither case deals with rights in a granted patent.

The Federal Circuit in *MCM* also considered *Stern v. Marshall*, 564 U.S. 462 (2011). In *Stern*, this Court analyzed the applicability of the public rights doctrine to a bankruptcy court's ability to rule on state law tort claims. *Id.* at 487-88. The Supreme Court indicated that the doctrine could apply in "cases in which the claim at issue derives from a federal regulatory scheme." *Id.* at 490. Because the state law tort claims did not, the public rights doctrine was not applicable.

Applying these decisions in *MCM*, the Federal Circuit held that agency adjudication of rights in a granted U.S. patent is "indistinguishable from the agency adjudications held permissable [sic] in *Thomas* and *Schor*, and wholly distinguishable from the review of state law claims at issue in *Stern*." *MCM*, 812 F.3dat 1290. Therefore, the Federal Circuit reasoned, the public rights doctrine applies to patent rights.

As noted above, however, none of the decisions relied on by the Federal Circuit in *MCM* dealt with property rights that are analogous to patents. As stated in the patent statute itself, a granted patent "shall have the attributes of personal property." 35 U.S.C. § 261. The most important of these attributes is the right to exclude others from the making, using, or selling a patented invention. 35 U.S.C. § 271 is fundamentally different from the right at issue in *Thomas*, which guaranteed compensation for the use of registration data, the use of which was specifically permitted by statute. Similarly, the right examined in

Schor was a state law counterclaim to recover a debt, which bears little or no resemblance to the exclusionary property right of a granted U.S. patent.

Finally, the *Thomas*, *Schor*, and *Stern* opinions never addressed the prior decisions of this Court noted above that describe a granted patent as private property. Therefore, IPO respectfully submits that a granted U.S. patent is not a public right.

III. Classifying Granted Patents as Public Rights Could Have Serious Adverse Consequences for Patent Owners

A Supreme Court decision finding that granted patents are public rights could negatively affect the patent system by decreasing the level of predictability patent owners and investors currently have in patent ownership. Patents, like other private property, have traditionally enjoyed constitutional protections against takings without just compensation and without due process. Indeed, the Supreme Court has recently affirmed that a patent "confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation." *Horne v. Dep't of Agric.*, 135 S. Ct. 2419, 2427 (2015) (quoting *James v. Campbell*, 104 U.S. 356, 358 (1882)); *see also* 28 U.S.C. § 1498 (providing for a cause of action against the United States for patent infringement).

Conversely, the Supreme Court has described matters of public right as those that "could be conclusively determined by the Executive and Legislative Branches." *Thomas*, 473 U.S. at 585. Because the disposition of public rights is more deferential to the government, classifying granted patents as such could weaken the traditional

private property protections discussed in *Horne*, and might leave patent ownership more vulnerable to executive and legislative branch intervention.

For example, if granted patents were deemed to be public rights, government figures might be more inclined to consider takings of patent rights, perhaps without just compensation or adequate due process. This is not a theoretical concern. In 2001, U.S. officials threatened to suspend drug manufacturer Bayer's patent on Cipro®, notably used in the treatment of anthrax infections. *See* Jill Carroll and Ron Winslow, *Bayer Agrees to Slash Prices for Cipro Drug*, Wall Street J., Oct. 25, 2001, at A3 ("The agreement comes after a high-stakes threat by Tommy Thompson HHS secretary, to break Bayer's patent for Cipro if he didn't get the price he wanted.").

IPO is not suggesting that such extreme actions would necessarily follow from a holding that patent rights constitute public rights. Nonetheless, a classification by this Court of granted patents as public rights would run counter to the prevailing view of patents as constitutionally protected private property, and could erode confidence in the value of well-established property rights in U.S. patents.

Similarly, if granted patents were defined as public rights, this might embolden government proposals to implement compulsory licensing programs in which patent rights are forcibly made available to a patent owner's competitors. Again, such programs are not merely hypothetical. *See, e.g.*, Vikas Bajaj and Andrew Pollack, *India Orders Bayer to License a Patented Drug*, N.Y. Times, Mar. 12, 2012, at B2. ("According to the decision, Bayer must license the drug Nexavar, or sorafenib, to Natco Pharma, an Indian company.").

Moreover, diminishing the private property interest in granted patents would run counter to current U.S. efforts to promote the development of patent regimes in other countries, including some U.S. trading partners where there have been calls for compulsory licensing and other forms of involuntary takings or access to patent rights. For example, the Office of the U.S. Trade Representative (USTR) recently found in a 2017 Special Report that:

> Right holders operating in other countries report an increasing variety of government measures, policies, and practices that are touted as means to incentivize domestic 'indigenous innovation,' but that, in practice, can disadvantage U.S. companies, such as by requiring foreign companies to give up their IP as the price of market entry. Such initiatives serve as market access barriers, discouraging foreign investment and hurting local manufacturers, distributors, and retailers. Such government-imposed conditions or incentives may distort licensing and other private business arrangements, resulting in commercially suboptimal outcomes for the firms involved and for innovation, generally. Further, these measures discourage foreign investment in national economies, slowing the pace of innovation and economic progress. Government intervention in the commercial decisions that enterprises make regarding the ownership, development, registration, or licensing of IP is not consistent with international practice, and may raise concerns regarding consistency with international obligations as well. These

> government measures often have the effect of distorting trade by forcing U.S. companies to transfer their technology or other valuable commercial information to national entities.

U.S. Trade Representative, *2017 Special 301 Report on Intellectual Property Issues*, Office of the U.S. Trade Representative18-19.[5] USTR Report makes the U.S.'s position on such practices clear, stating:

> The United States urges that, in formulating policies to promote innovation, trading partners . . . refrain from coercive local content and technology transfer policies.

Id. at 20.

Finally, if granted patents were viewed as public rights, the government might attempt to restrict the transfer or licensing of patents. This would upend the long-running expectations of patent owners, who today can transfer or license a patent in the same manner as other personal, private property. However, such restrictions might be seen as permissible if the ownership of a granted patent has the attributes of a public right, which "depends upon the will of [C]ongress . . . [such that] they may regulate it and prescribe such rules of determination as they may think just and needful." *Murray's Lessee*, 59 U.S. at 284.

---

5. https://ustr.gov/sites/default/files/301/2017%20Special%20301%20Report%20FINAL.PDF

CONCLUSION

Supreme Court precedent establishes that a granted U.S. patent does not fall within the public rights doctrine developed from *Murray's Lessee*. The Federal Circuit's statement to the contrary in *MCM* is based on a misapplication of non-analogous decisions dealing with the public rights doctrine. Moreover, the Federal Circuit in *MCM* failed to consider this Court's controlling precedent defining the nature of granted patent rights. Finally, a Supreme Court decision holding that granted patents are public rights could have adverse consequences for patent owners, and for the patent system in general.

For these reasons, IPO respectfully requests that this Court reaffirm that granted U.S. patents are not public rights.

Respectfully Submitted,

KEVIN H. RHODES
President
STEVEN W. MILLER
Chair, Amicus Brief Committee
MARK W. LAUROESCH
Executive Director
INTELLECTUAL PROPERTY OWNERS ASSOCIATION
1501 M St. N.W., Suite 1150
Washington, D.C. 20005
(202) 507-4500

PAUL H. BERGHOFF
Counsel of Record
BRANDON J. KENNEDY
MCDONNELL BOEHNEN HULBERT & BERGHOFF LLP
300 South Wacker Drive
Chicago, Illinois 60606
(312) 913-0001

Counsel for Amicus Curiae Intellectual Property Owners Association

August 31, 2017

APPENDIX — MEMBERS OF THE BOARD OF DIRECTORS INTELLECTUAL PROPERTY OWNERS ASSOCIATION[1]

Brett Alten
Hewlett Packard Enterprise

Scott Barker
Micron Technology, Inc.

Edward Blocker
Koninklijke Philips N.V.

Amelia Buharin
Intellectual Ventures, LLC

Karen Cochran
Shell International B.V.

John D. Conway
Sanofi

William J. Coughlin
Ford Global Technologies LLC

Buckmaster de Wolf
General Electric Co.

Robert DeBerardine
Johnson & Johnson

Anthony DiBartolomeo
SAP AG

Daniel Enebo
Cargill, Inc.

Louis Foreman
Enventys

Scott M. Frank
AT&T

Darryl P. Frickey
Dow Chemical Co.

Creighton Frommer
RELX Group

Gary C. Ganzi
Evoqua Water Technologies, LLC

---

1. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

Appendix

Tanuja Garde
Raytheon Co.

Krish Gupta
Dell Technologies

Henry Hadad
Bristol-Myers
Squibb Co.

Heath Hoglund
Dolby Laboratories

Philip S. Johnson
Immediate Past
President

Thomas R. Kingsbury
Bridgestone
Americas, Inc.

William Krovatin
Merck & Co., Inc.

Mark W. Lauroesch
Intellectual Property
Owners Association

Peter Lee
Thermo Fisher
Scientific Inc.

Elizabeth Lester
Equifax Inc.

Allen Lo
Google Inc.

Timothy Loomis
Qualcomm, Inc.

Charles Malandra, Jr.
Pitney Bowes Inc.

Thomas P. McBride
Monsanto Co.

Elizabeth McCarthy
Avaya, Inc.

Steven W. Miller
Procter & Gamble Co.

Kelsey Milman
Caterpillar Inc.

Micky Minhas
Microsoft Corp.

Lorie Ann Morgan
Gilead Sciences, Inc.

Theodore Naccarella
InterDigital
Holdings, Inc.

Appendix

Douglas K. Norman
Eli Lilly and Co.

Dana Rao
Adobe Systems Inc.

Kevin H. Rhodes
3M Innovative
Properties Co.

Paik Saber
Medtronic, Inc.

Matthew Sarboraria
Oracle USA Inc.

Manny Schecter
IBM Corp.

Matthew Shanley
Exxon Mobil Corp.

Jessica Sinnott
DuPont

Thomas Smith
GlaxoSmithKline

Daniel J. Staudt
Siemens Corp.

Brian Suffredini
United Technologies
Corp.

James J. Trussell
BP America, Inc.

Roy Waldron
Pfizer, Inc.

BJ Watrous
Apple Inc.

Stuart L. Watt
Amgen, Inc.

Michael Young
Roche, Inc.